

Utah Committee of Consumer Services

Utah Department of Commerce

Electronic Meeting (Conference Call)

February 13, 2007

Rocky Mountain Power Two Deferred Accounting Applications

Cheryl Murray

Rocky Mountain Power

Deferred Accounting Applications

Deferred Account Definition:

- Deferral of utility expenses or revenues is a regulatory and accounting mechanism to minimize the frequency of rate changes or the fluctuation of rate levels or to appropriately match the costs borne by and benefits received by ratepayers.
- Recovery of costs are not guaranteed

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Deferred Accounting Applications

PacifiCorp Filed Two Applications:

- 1st Application - Grid West
Application for a Deferred Accounting Order to
Defer the Costs of Loans Made to Grid West
- 2nd Application - Transition Costs
Application to defer costs related to the MidAmerican
Energy Holdings Company Transaction

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Deferred Accounting Applications

Background: Grid West Established

- FERC Order 2000 required utilities to “voluntarily” transfer transmission facilities operations to a Regional Transmission Organization (RTO)
- PacifiCorp actively participated in RTO West which later became Grid West, a non-profit entity
- The purpose of an RTO was to increase investment in transmission and improve reliability
- Ten utilities participated in the development of Grid West

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Deferred Accounting Applications

Background: Grid West Demise

- November 2005 Bonneville Power Administration withdrew from Grid West Organization
- April 2006 Grid West disbanded
- Grid West will be unable to repay loans
- Dec. 19, 2006 - PacifiCorp filed an Application with the Commission for a Deferred Accounting Order for Costs of Loans Made to Grid West

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Deferred Accounting Applications

Current Application: Grid West Loan Recovery

- Company has loaned \$2.7 million to Grid West
- Utah's allocation is approximately \$1.1 million
- Company requests interest on the deferred amount
- Company proposes to address amortization and recovery in next general rate case

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Deferred Accounting Applications

Current Application: Grid West Issues

- Did RMP's participation in Grid West provide benefits to Utah ratepayers?
- Should a request for recovery have been included in the 2006 general rate case?
 - PC filed applications last March in OR, WY, and ID
- Should the stipulation in the rate case preclude a deferred account for these costs?

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Deferred Accounting Applications

Background: Transition Costs

- MidAmerican acquisition of PacifiCorp resulted in a reduction in workforce
- Severance payments made to departing employees
 - Company has labeled these payments as “transition costs”
 - Some severance costs were included in the 2006 rate case; Company seeks approval for continued amortization of costs

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Deferred Accounting Applications

Costs and Benefits

- Severance payments for workforce reduction will increase costs to the utility
- Workforce reduction also reduces payroll, benefits, and other expenses
 - Application does not propose to defer corresponding savings
 - Company may see an immediate reduction in expenses
 - Ratepayers would not see benefits until new rates implemented

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Deferred Accounting Applications

Transition Cost: Other Jurisdiction

- Idaho Commission issued an order 01/19/ 2007
 - Application was approved
 - Amortize the balance over a 3-year period
 - Deferred costs will not include a return, accrue interest or reflect any carrying charge

2007 Legislation Resource Acquisition

Michele Beck

2007 Legislation

Background

- In 2005 the Legislature passed new resource acquisition laws (SB 26)
- The process developing the legislation was lengthy and inclusive
- No new resources have yet been acquired under this process

2007 Legislation

Current Statute

- Requires both RFP and approval process
- Includes safeguards for ratepayer protection
- At completion, Commission approval includes pre-approval of new resource for inclusion in rates in a future rate case
- Provision for exception to RFP under limited circumstances

2007 Legislation

Factors Behind Change Request

- RMP identified “fire sale” opportunity
- Under current process, RMP determined it could not pursue the resource
- RMP expects additional similar cases
- RMP now proposes changes to allow exceptions to both RFP and approval processes

2007 Legislation

Current Proposal

- In case of “emergency” or “time limited commercial opportunities” the utility can file for waiver of acquisition process
- Commission employs an independent evaluator to assess conditions
- Parties have opportunity to comment
- Process takes 21 days

2007 Legislation

CCS Concerns: Process Related

- Mischaracterized as “consensus” by some parties
- RMP met with CCS, but we have not had adequate opportunity to resolve concerns
- Original process more deliberate and inclusive – this process more hurried

2007 Legislation

CCS Concerns: Policy Related

- Under waiver, risk should follow the utility
- Would after the fact prudency review provide adequate ratepayer protection?
- Does the process weaken ties between resource acquisition and long-range planning?
- Policy should not be based on reliance of good decisions of current utility ownership

2007 Legislation

Next Steps

- Legislation passed to Senate floor with instructions to “work out differences”
- RMP committed to addressing CCS concerns
 - Discussions began this morning (1/13/07)
- Senator Bell assured CCS that concerns would be resolved

Audit of Questar's 191 Account

Ronnie Drake

Audit of Questar's 191 Account

Gas Management Cost Investigators

- Consultant Tom Norris: 30+ years experience in the pipeline industry
- Accountant Ronnie Drake: 20+ years audit experience with the State of Utah, Tax Commission

Audit of Questar's 191 Account

Scope of Gas Management Cost Audit

- Assure that costs and revenues are consistent with Gas Management Cost Stipulation terms
- Assure other activities and functions of the CO2 removal plant (Questar Transportation Services) comply with stipulation terms

Audit of Questar's 191 Account

Gas Management Cost Investigation Plan

- Verify revenues from third parties
- Verify actual plant costs and revenues
- Verify costs charged to QGC
- Verify costs charged by QGC to ratepayers
- Verify gas quality and flow characteristics
- Verify pipeline configurations and volumes

Audit of Questar's 191 Account

Gas Management Cost Time Line

- 2/1/07 - sent first set of data requests (DR)
- Spring 07 - send additional sets of DR
- Early Summer 07 - conduct on-site inspection
- Summer 07 - draft audit report

CCS Outreach Program

Chris Keyser

CCS Outreach Program

Outreach Visits

- Visited 17 legislators since Jan. 1, 2007
- Visited Rep. Gordon Snow, sponsor of HB269, *CCS Membership Amendments*
- Responded to Rep. Hunsaker's concern regarding Desert Power/RMP contract
- Future visits scheduled for Wed., Feb. 21.

CCS Outreach Program

CCS Quarterly Newsletter

- 2007 Winter Issue - mailed Feb. 5, 2007
- Distribution - 350 copies
 - 94 legislators
 - Salt Lake City and Co. Library Service Areas
- Prospects for expansion

GSS-EAC Tariffs

Docket No. 06-057-T04

Dan Gimble

GSS-EAC Tariffs

Background

- Proposed elimination of GSS-EAC rates initiated as part of Questar's CET filing (Dec. 2005)
- Parties agreed to separately examine issues in a task force
- Task force culminated in two reports:
 - Majority report recommended GSS-EAC rates be eliminated and est. \$1.7 M annual revenue shortfall be recovered from other customers
 - Committee filed separate report proposing a sharing of the est. \$1.7 M annual revenue shortfall among rural customers, other customers and Utility



GSS-EAC Tariffs

Questar's Application (filed Oct. 6, 2006)

- Eliminate GSS-EAC rates through a tariff change
- Other customers (primarily GS-1) immediately absorb un-recovered \$1.7 M annual revenue shortfall
- Future requirement that all communities seeking natural gas service must provide up-front contribution of funds to pay expansion costs

GSS-EAC Tariffs

January 9, 2007 Committee Meeting

- Committee motion: “(1) The GSS and EAC rates do not now appear to be just and reasonable; (2) Any revenue impacts stemming from changing those rates should be fully considered in a general rate case.”
- Committee requires additional information to make an informed decision on what position to take on Questar’s application.

GSS-EAC Tariffs

Analysis of Additional Information

- Indefinite time period in Company's proposal
- Verification of accounting records
- Potential for over-collected revenues from customers in GSS “first wave”

GSS-EAC Tariffs

Utility Rates—Other Considerations

- PSC uses an average ratemaking methodology
- Line extension rates
- Under-recovered GSS revenues
- Electric Low Income Lifeline Program (HELP)
- Utah Telephone Assistance Program (UTAP)

GSS-EAC Tariffs

Staff Conclusions

- No compelling evidence that Company should share in revenue shortfall
- Company's intention was not to continue collecting for shortfall beyond original time period of GSS and EAC rates

GSS-EAC Tariffs

Staff Conclusions

- Current EAC and GSS rates are not fair
 - These communities are likely paying more than any before them for a similar service
 - Since rates are not entirely consistent, rates could be discriminatory

GSS-EAC Tariffs

Staff Conclusions

- Elimination may not create cross-subsidizations
 - Are the costs included in these rates significantly higher than average
 - Other areas also incurring higher than average costs (fast growing Wasatch front, extensions made greater than minimum system)

GSS-EAC Tariffs

Committee Rebuttal Testimony

- Recommended the GSS-EAC rates be eliminated because they may no longer be just and reasonable
- Recommended placing revenue shortfall in deferred account for future consideration of recovery in a general rate case

GSS-EAC Tariffs

Settlement Discussions

- The rebuttal testimony of the Committee, the Division, and the Company appeared to be very close in concept
- These parties met to consider settlement
- The settlement has been presented to all parties

Closed Session: To Consider Current or Pending Litigation



Utah! Committee of
Consumer Services



Return to Open Session

Motion

- Authorize the Committee Director to execute the settlement stipulation in Docket No. 06-057-T04 that eliminates GSS rates and EAC charges and to include GSS and EAC revenue into a separate account under the terms and conditions of the settlement stipulation. The Committee Director is requested to disclose the detailed terms of the settlement as soon as possible.

GSS-EAC Tariffs

- Vote on motion